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UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Stabilization Service
Livestock and Dairy Division

CALCULATION OF LOAN RATES

under the

1954 WOOL PRICE-SUPPORT PROGRAM



Washington, D. C.
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Agriculture-Washington

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CALCULATION OF LOAN RATES UNDER
THE 1954 WOOL PRICE-SUPPORT PROGRAM

Introduction

The Agricultural Act of 1949 provides that the price of wool shall be supported at such level, not in excess of 90 per centum nor less than 60 per centum of the parity price therefor, as the Secretary determines is necessary in order to encourage an annual production of approximately 360 million pounds of shorn wool. This act also provides that appropriate adjustments may be made in the support price for any commodity for differences in grade, type, staple, quality, location, and other factors.

The parity price for wool is a national average of prices, on a grease basis, received by all farmers on first sales out of growers' hands. Loan rates for wool are on a clean basis, Boston, by grades and classes. Therefore, it is essential to adjust the support level, based on the parity price, to reflect differences in grade, type, staple, quality, and other factors.

This publication describes the method by which the support price for wool, grease basis, is converted to loan rates for wool, clean basis, by grades and classes. Appropriate exhibits are attached to aid in understanding the method of calculating the 1954 loan rates for wool.

Shorn Wool

1. Support Price a National Average. The support price of 53.2 cents per pound for wool, grease basis, as announced April 23 for the 1954 marketing year, is a national average price equal to 90 percent of parity at the beginning of the marketing year. This average price, like the parity price, refers to the first sale out of producers' hands. It is an average price to be netted for the entire wool clip at the shipping point nearest the farm or ranch.
2. Adjusting National Average Support Price to a Boston Basis. The national average support price of 53.2 cents per pound for wool, grease basis, was adjusted to a Boston basis by adding the estimated costs per pound for moving the entire clip to Boston and for handling and marketing the wool. These estimates of costs were based on current transportation rates and the marketing charges as allowed in the 1954 handler's Agreement. The total of these costs was figured at 7.2 cents per pound, making the required average support level, in Boston, 60.4 cents per pound, grease basis. (See Exhibit A for details.)

3. Adjusting National Average Support Level to Allow for Discounts.

Since the loan rates (except for "off" wools) are for good style wools free of defects, an allowance was added to the national average support price, Boston basis, before converting it to prices by grades and classes, to compensate for defects such as burrs, seeds, and stains. The allowance, three-tenths of a cent a pound, was based on experience in 1946 when the entire domestic wool clip was acquired by CCC. (See Exhibit A.) Thus, 60.7 cents per pound, grease basis, would be the national average support price in Boston required for clear wools free of defects, to yield a net national average price to producers, after deductions for defects and marketing costs, of 53.2 cents per pound, grease basis.

4. Calculating Loan Rates by Grade and Class from the Average Support Level. Loan rates by grade and class were calculated from the national average support level of 60.7 cents per pound, grease basis, at Boston. The average relationship between market prices by grades and classes of wool that prevailed during the 10-year period (1944 to 1953) weighted equally with the relationship that prevailed during the year 1953 alone was used to figure the differentials between prices by grades and classes. Thus, the market price relationship for 1953 was given a weighting of 55 percent and each of the other nine preceding years, 5 percent, in figuring the differentials between grades and classes for the 1954 loan rates. This resulted in the loan rate differentials between the respective grades and classes of wool being brought up-to-date to reflect actual differentials prevailing during the most recent year but also being tempered by the average relationship that has prevailed for a longer period, namely, the 10-years 1944 to 1953, inclusive.

(a) Market Prices by Grades and Classes. The market price of wool at Boston, as reported by the Agricultural Marketing Service, were used in figuring the price differentials between grades and classes, as described above. Such price quotations are available for 20 classes and grades of greasy shorn wools for the full 10-year period, 1944 through 1953. (See upper half of Exhibit B for these prices.) As shown by the analysis of the 1946 wool clip acquired by CCC, these 20 classes and grades represent approximately two-thirds of the domestic wool clip.

(b) Indexes of Market Prices. The market prices of wool by grades and classes by years for the 10-year period (1944-53) were converted to index numbers expressing the year's price for each grade and class of wool as a percentage of that year's price for Graded, Fine Territory, Staple and Good French Combing wool. (Section I, Class A-2, in the 1954 Schedule of Loan Rates.) (See lower half of Exhibit B.) The 10-year average (1944-53) of the annual indexes thus calculated for each grade and class was computed. (See Exhibit B, third line from bottom.) The 10-year average of the

indexes and the 1953 average for each grade and class were then averaged. (See Exhibit B, bottom line.) The averages for the respective grades and classes are also shown in column 5, Exhibit C.

(c) Grades and Classes for which Market Quotations are not Available. For the grades and classes comprising about one-third of the total wool clip for which regular series of market quotations are not available, indexes were interpolated from those for the grades and classes for which the market prices were available for the 10-year period. In some cases the interpolations were based on the relationships between market prices for a number of years, within the 10-year period for which market quotations for the particular grades were available. For other grades and classes, factors such as the cost of grading were used as measures of the appropriate differences in prices. For the remainder, the interpolation is purely on the basis of judgment. The indexes thus interpolated for the grades and classes for which market quotations for the full 10-year period were not available are identified in Column 5, Exhibit C. (An explanation of the basis for making interpolations for some of the more important grades and classes is included in Exhibit D.)

5. Conversion of Indexes to Prices on a Clean Basis. The indexes, described under 4 above, were converted to clean basis prices. In making the conversion, the average price for Graded, Fine Territory, Staple and Good French Combing wool, clean basis, at Boston was used. The average price, 172.8 cents, for Graded, Fine Territory, Staple and Good French Combing wool, clean basis, at Boston during weeks of 1953 -- when the market for that grade and class was reported by AMS as being active -- was used as the base. The prices resulting from this conversion are shown in column 6, Exhibit C.

6. Conversion of Prices to a Grease Basis. The prices on a clean basis, described under 5 above, were converted to a grease basis. The yield figures used in making the conversion are shown in column 3, Exhibit C. These figures are based on the yields obtained from an analysis of the 1946 clip when practically all wool was acquired by CCC in connection with price-support operations. Some adjustments were required, of course, to reflect changes in the schedule of classes and grades for the 1954 program compared with those used under the 1946 program. The prices on a grease basis, thus calculated, are shown in column 7, Exhibit C.

(a) Equivalent Grease Prices for Scoured Wool. An equivalent composite price, grease basis, was computed for scoured wool under provisions in Section VI of the 1954 Schedule of Loan Rates. This composite price was determined by a procedure similar to that described for grease wool, under 4 above (figuring price differentials on the basis of an average of the 1944-53 and the 1953 market price relationships and converting the clean prices to those on a grease

basis according to the yield figures for the 1946 clip), and arriving at a weighted average for the group based on the percentage that each grade and class comprised of the total scoured wool acquired under the 1946 program. The composite weighted average price, grease basis, for scoured wool was 52.9 cents, as shown in column 7, Exhibit C.

(b) Off Wools. A composite grease basis price for "off wools," Section VII of the 1954 Schedule of Loan Rates, was computed. Such prices are rather arbitrary at best. The price, 23.4 cents per pound, grease basis, as shown in column 7, Exhibit C, was arrived at by adjusting the 1953 loan rates for the respective grades and classes to the level of prices used for the other grades and classes in columns 6 and 7 of Exhibit C and then computing the weighted average of those prices by using the weights for the respective classes and grades obtained from the analysis of 1946 wool clip acquired by CCC. The adjustment for price level was made by multiplying the 1953 loan values by 1.06, which is the ratio of the price of 172.8 cents for Graded, Fine Territory, Staple and Good French Combing wool used in calculating the clean prices, shown in column 6 of Exhibit C, to the price of 163.2 cents used for that particular grade and class in calculating the 1953 Schedule of Loan Rates.

7. Weighted Average of Prices on a Grease Basis. The weighted average of the grease basis prices, in column 7 of Exhibit C, was calculated by weighting the price for each grade and class by the relative production of the particular grade and class, as shown in column 4 of Exhibit C. As described above, these percentages were obtained from the analysis of the 1946 clip which was virtually all acquired by CCC in connection with price support operations. The weighted average thus calculated was 64.05 cents (see bottom line, column 7, Exhibit C) which is 3.35 cents above the required 60.7 cents, indicated under 3 above as being required to yield a net average price to producers after deductions, for defects and marketing costs, of 53.2 cents per pound, grease basis, assuming the entire domestic wool clip was acquired by CCC.

8. Adjustment of Grease Basis Prices to Desired Support Level. The grease basis prices in column 7 of Exhibit C were adjusted to the desired support level prices by multiplying the price for each class and grade in column 7 by the factor 94.77. This factor was arrived at by dividing 60.7, the desired support level, by 64.05, the weighted average of the prices shown in column 7. The grease prices by grades and classes thus adjusted to reflect a weighted average of 60.7, the desired support level, are shown in column 8 of Exhibit C.

9. Conversion of Grease Prices to a Clean Basis for 1954 Loan Rates. The grease basis prices by grades and classes shown in column 8 were then converted to clean basis according to the yields shown in column 3 of Exhibit C.

(a) Scoured Wools. The composite average grease price, for all Section VI scoured wool, of 50.1 cents as shown in column 8 of Exhibit C was converted to clean basis prices for the respective grades and classes of scoured wool using the yield data and weightings obtained from the analysis of the 1946 clip. The costs of scouring were taken into consideration in arriving at the 1954 loan rates for unsorted scoured wool and for sorted scoured wool.

(b) Off Wools. The composite average of 22.2 cents per pound, grease basis, for "off wools," Section VII of the 1954 Schedule of Loan Rates, was converted to equivalent rates for the respective grades and classes.

Pulled Wool

The loan rates for pulled wools were established by interpolation at a reasonable relationship to the loan rates for comparable grades and classes of shorn wool. In making the interpolations, consideration was given to differences in preparation for market and to differences in descriptions of grade and length in the shorn wool and pulled wool schedules. Examples of the method of establishing loan rates for greasy worsted type pulled wools are shown in Exhibit E.

The 1954 loan rates for scoured worsted type pulled wools were established by adding 5 cents per pound to the clean basis loan rate for each grade and length of greasy worsted type pulled wool.

The 1954 loan rates for scoured woolen type pulled wools were established at approximately the same relationships to the loan rates for scoured woolen type (12 months) shorn wools as existed in the 1953 program. Interpolations were made for grades of pulled wool where such grades are not shown in the shorn wool schedule.

Summary

The procedure followed in calculating the loan rates for wool under the 1954 price support program was as follows:

1. The support price of 53.2 cents per pound, grease basis, was built up to a Boston equivalent by adding allowances for transportation of the entire wool clip, to Boston, and costs of marketing including any necessary grading. The total cost for these operations was 7.2 cents

per pound making the required average support level at Boston 60.4 cents per pound, grease basis. To this figure was added three-tenths of a cent to allow for discounts for such defects as burrs, seeds, and stains. Therefore, the loan rates for the various grades and classes were established on the basis of 60.7 cents, grease basis, at Boston, to cover good style wools free of defects.

2. The average support level in Boston, grease basis, was converted to prices, clean basis, by classes and grades, using:

- (a) Yields and weightings for the respective grades and classes for the 1946 wool clip which was virtually all acquired by CCC.
- (b) A simple average of the 10-year, 1944-53, period and the 1953 market prices as reported by A.S to determine the differences in loan rates for the respective grades and classes.

The loan rates, clean basis, at Boston, thus computed would result in a net farm price of 53.2 cents per pound, grease basis, assuming that: (1) the entire 1954 wool clip was acquired by CCC; (2) average discounts were applied; (3) the proportions of the clip represented by the respective grades and classes and the clean content yields for each were essentially the same as in 1946; and (4) the transportation and marketing costs incurred were essentially the same as those estimated in the buildup.

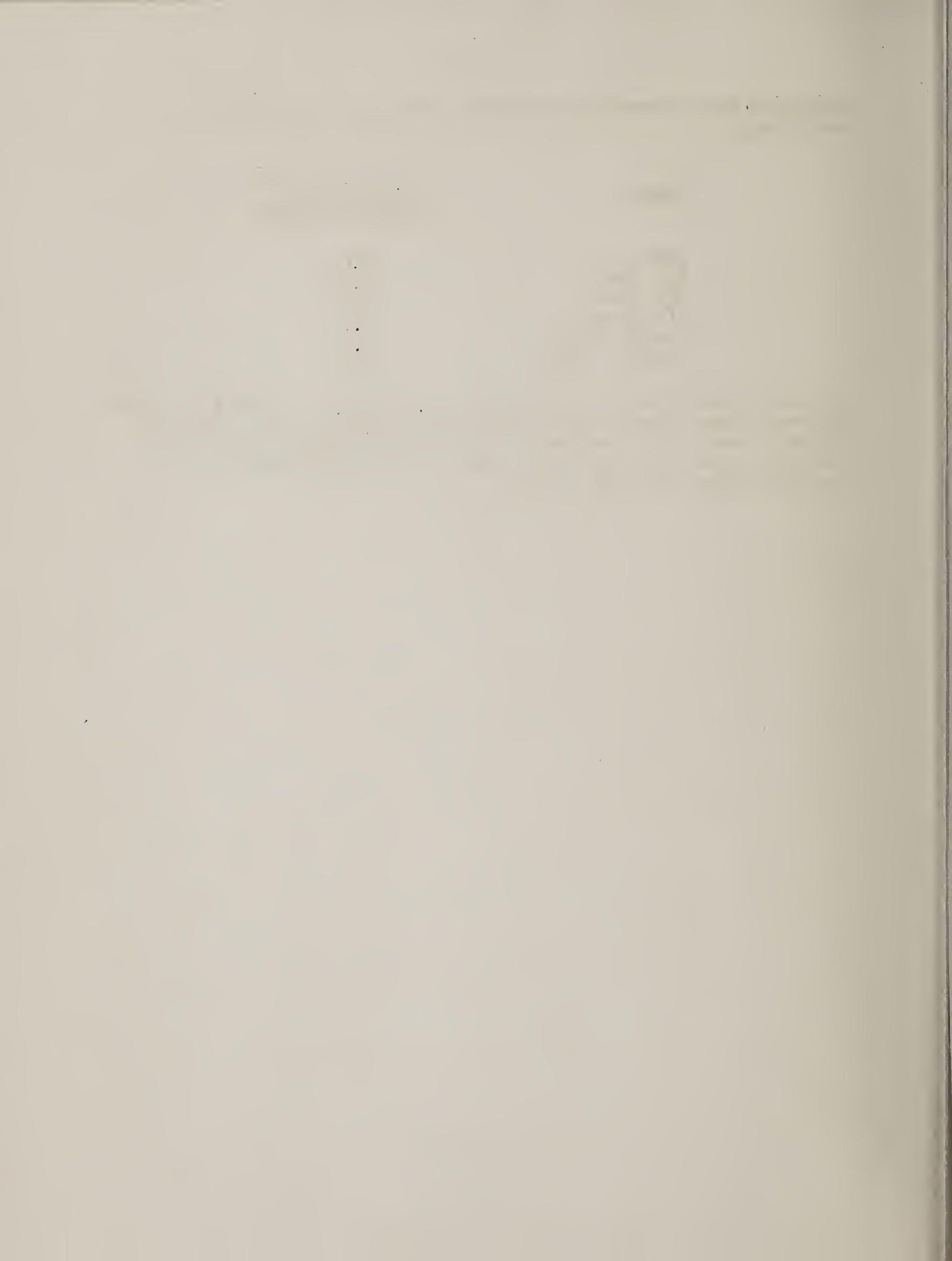
As to the use of the data from the 1946 wool clip on composition of the Nation's production by grades and classes and the clean content yield for each in figuring the 1954 Schedule of Loan Rates, the data for the 1946 clip are the only data available on grades and classes and yields for each covering the marketing of an entire year's clip. No doubt there have been shifts in the proportions of each grade and class of wool produced. However, owing to the fact that the net price received by the producer reflects yield as well as the quality of wool, any trends in the proportions of the respective grades and classes produced would have compensating effects on the national average price received by growers. For example, if the proportion of Fine wool yielding 38 percent and having a loan rate of \$1.63 clean basis, or about 62 cents grease basis, is actually smaller than was used in making the calculations, and the proportion of 3/8 Blood wool yielding 54 percent and having a loan rate of \$1.15 clean basis, or about 62 cents grease basis, is correspondingly larger, the net average national price to producers resulting from the 1954 Schedule of Loan Rates would still be the same.

As a further check on how the differences in clean prices tend to be offset by differences in yields, the weighted average of the 1954 loan rates on a grease basis for each of the six major grades is as follows,

using the 1946 percentages by classes within each grade for the weighting:

<u>Grade</u>	<u>Weighted average, grease basis</u> Cents per pound
Fine	62.6
1/2 Blood	63.2
3/8 Blood	61.6
1/4 Blood	63.0
Low 1/4 Blood	59.1
Common & Braid	58.8

It will be noted that the averages for the different grades fall within the very narrow range of 58.8 cents to 63.2 cents. Thus a very substantial shift in the proportion of the various grades in the total wool clip would have had to take place to materially affect the weighted average for all grades.



ADJUSTMENT OF AVERAGE SUPPORT PRICE TO A BOSTON
BASIS UNDER 1954 LOAN PROGRAM FOR SHORN WOOL

	<u>Cents Per Pound Grease Basis</u>
1. Parity price of wool, March 15, 1954-----	59.1
2. 90 percent of parity - 1954 support price at local markets, U. S. average-----	53.2
3. Additions to place 1954 support level at Boston basis:	
(a) Freight charges (including 3% transportation tax, marine insurance, trucking, wharfage, loading, and unloading) to Boston. This average was based upon an estimated average of rail-water freight rate on 24,000 pound cars from Texas, California, Oregon and Washington; all rail freight rates from Idaho, Utah, New Mexico, Colorado, Wyoming, Montana, North and South Dakota on loadings of 30,000 pound cars; all rail freight rates from the remainder of the United States on the basis of 24,000 pound cars, weighted by shorn wool production statistics for 1953-----	2.76
(b) Handling charges (estimated average, assuming 57 percent of the wool is handled at 2.25 cents per pound, 10 percent at 3.50 cents per pound and 33 percent at 4.75 cents per pound)-----	3.20
(c) Grading allowance (estimated average assuming 67 percent will be graded, of which 44 percent will be at 2.25 cents and 56 percent will be at 1.5¢ per pound)-----	1.23
(d) Total additions or allowances-----	<u>7.19</u>
4. Equivalent average support price, Boston basis-----	<u>7.2</u> 60.4

Adjustment of Support Price for Discounts

5. Addition to allow for national average of discounts-----	1/ <u>0.3</u>
6. National average support level (Boston basis) before discounts-----	60.7

1/ The discounts made from purchase prices under the 1946 program averaged approximately 0.27 cent per pound, grease basis.

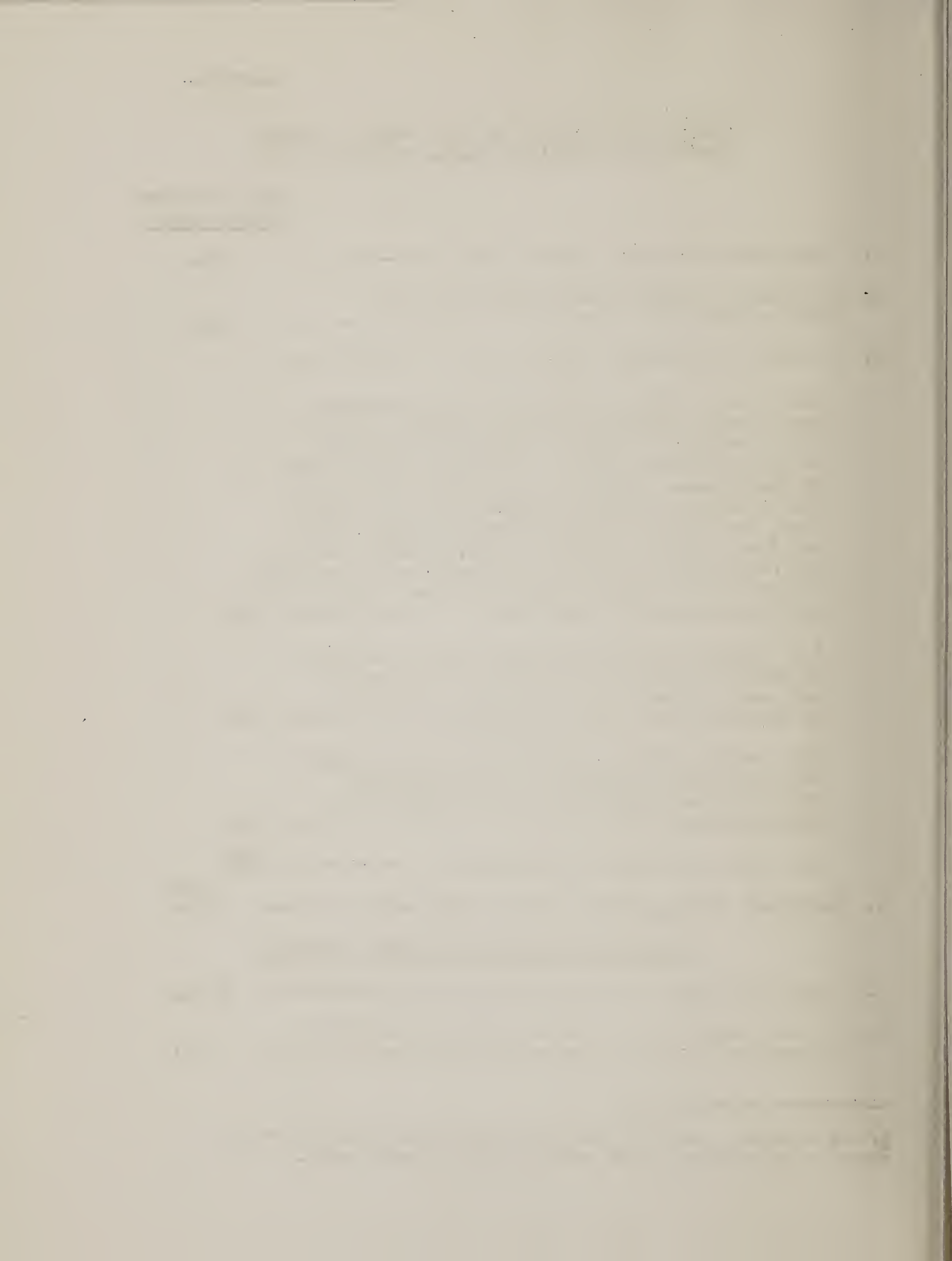


Exhibit B

MARKET PRICES OF SHORN WOOL BY GRADE, AND RELATIONSHIP OF THE PRICES FOR EACH GRADE TO THE PRICE OF FINE TERRITORY (STAPLE AND GOOD FRENCH COMBING)
BY YEARS 1944 THROUGH 1953 AND THE AVERAGE FOR THE TEN-YEARS, 1944-53 AND 1953

YEAR	GRADED TERRITORY WOOL										ORIGINAL FINE TEXAS WOOL										GRADED FLEECE WOOL																																																	
	1/2 BLEED					3/8 BLEED					1/4 BLEED					LOW					COMMON					12 MOS.					8 MOS.					FALL					FINE					1/2 BLEED					3/8 BLEED					1/4 BLEED					LOW					COMMON				
	GD. FR. : SAV. AND : SH. FR. : 8D. FR. : AV. : GD. FR. : 1/4 : AND : GD. FR. : 1/4 : SH. FR. : 8D. FR. : GD. FR. :																																																																					

AV. 1944-53
AND 1953

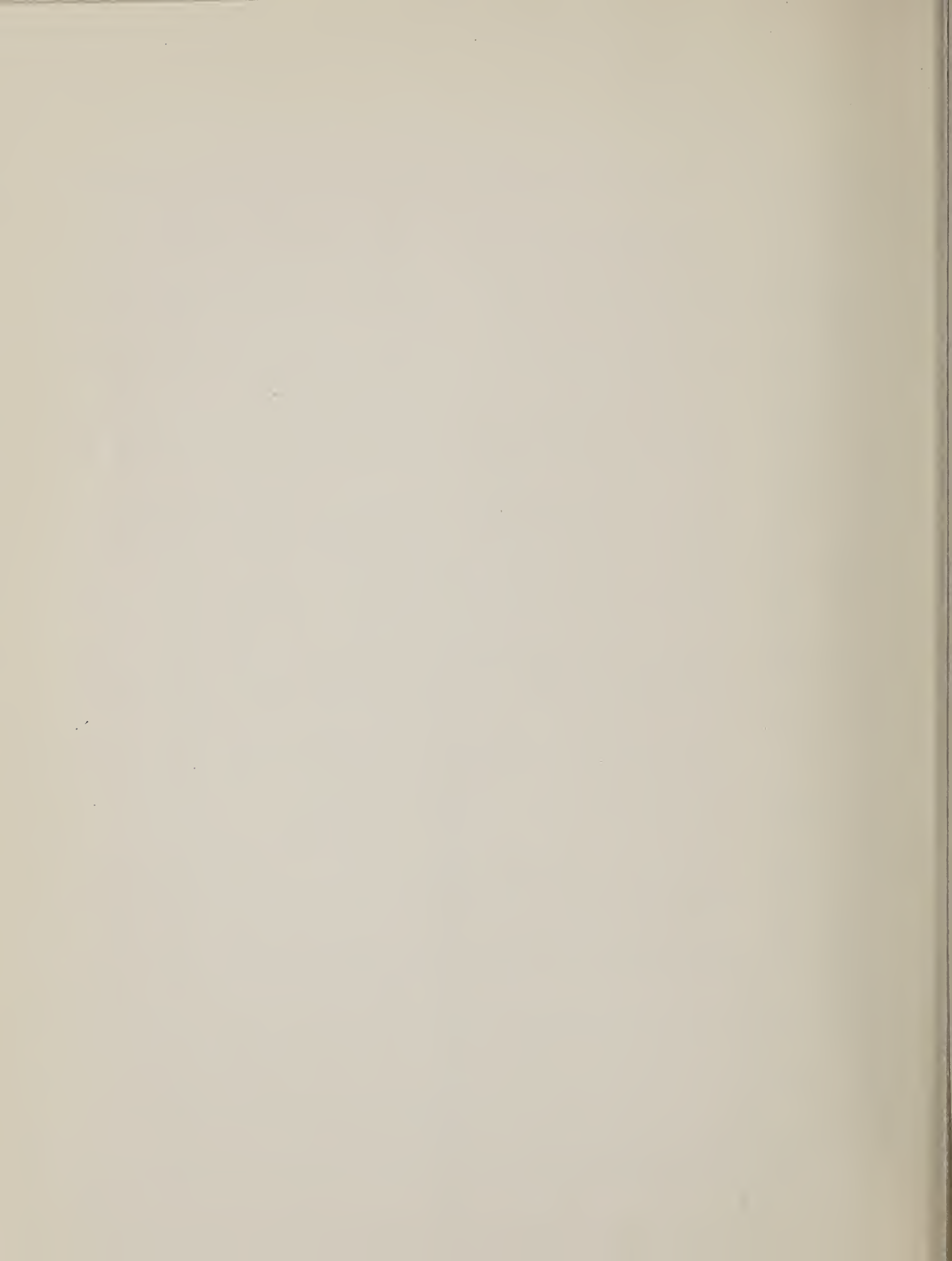


Exhibit C

Calculation of 1954 loan rates for shorn domestic wools, clean basis, Boston, by grades and classes

		Percent	Average	Prices based	1954 loan rate			
Class		age of	of	upon indexes	Grease	Clean		
Code	Description	Clean	total	indexes	in Col. 5	basis	basis	
		Yield	grease	(1A-2 =	Clean: Grease			
		basis	(100) 1/	basis: basis				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Percent	Percent	Percent	Cents	Cents	Cents	Cents
Section I, Graded Territory and Texas Wool								
	Fine, 64s and finer							
A-1	Strictly staple (3 inches and longer)-----	36.0	0.16	*102.0	176.3	63.5	60.2	167
A-2	Staple and good French combing-----	39.1	7.64	100.0	172.8	67.6	64.1	164
A-3	Average and good French combing-----	36.7	8.68	96.4	166.6	61.1	57.9	158
A-4	Short French combing and clothing-----	35.6	1.61	87.8	151.7	54.0	51.2	144
	One-half Blood, 60s/62s							
B-1	Staple and good French combing-----	44.3	8.42	90.1	155.7	69.0	65.4	148
B-2	Average and good French combing-----	43.1	4.43	86.4	149.3	64.3	60.9	141
B-3	Short French combing and clothing-----	42.0	.36	* 76.4	132.0	55.4	52.5	125
	Three-eighths Blood, 56s/58s							
C-1	Staple and good French combing-----	48.4	4.98	78.0	134.8	65.2	61.8	128
C-2	Average French combing-----	49.5	.25	69.6	120.3	59.5	56.4	114
C-3	Short French combing and clothing-----	49.0	.35	* 66.0	114.0	55.9	53.0	108
	One-quarter Blood, 50s/54s to 50s/48s							
D-1	Staple and good Fr. comb., 50s/54s-----	52.1	.13	* 73.5	127.0	66.2	62.7	120
D-2	Staple and good Fr. comb., 50s/48s-----	52.1	1.79	* 71.7	123.9	64.6	61.2	117
D-3	Average French combing, 50s/48s-----	53.7	.03	* 64.0	110.6	59.4	56.3	105
D-4	Short French combing and clothing, 50s/48s-----	52.9	-	* 54.8	94.7	50.1	47.5	90
	Low One-quarter Blood, 46s							
E-1	Wool 4 inches or more in length-----	56.0	.30	62.6	108.2	60.6	57.4	102
E-2	Wool under 4 inches in length-----	56.0	-	* 51.0	88.1	49.3	46.7	83
	Common and Braid, 44s/36s							
F-1	Wool 5 inches or more in length-----	60.2	.08	59.9	103.5	62.3	59.0	98
F-2	Wool under 5 inches in length-----	60.2	-	* 49.0	84.7	51.0	48.3	80
Section II, Territory Original Bag Wool								
	Fine (64s and finer - No 60s/62s)							
A-1	Good Fr. comb., and staple, 64s and finer-----	39.9	.35	* 98.2	169.7	67.7	64.2	161
A-2	Average and good Fr. comb., 64s and finer-----	37.0	.62	* 94.6	163.5	60.5	57.3	155
A-3	Short Fr. comb. and clothing, 64s and finer-----	34.0	.03	* 86.0	148.6	50.5	47.9	141
	Fine (64s - 15 percent 60s/62s)							
A-4	Good French combing and staple-----	39.3	2.14	* 96.7	167.1	65.7	62.3	159
A-5	Average to good French combing-----	37.6	4.25	* 93.1	160.9	60.5	57.3	152
A-6	Short French combing and clothing-----	36.6	.23	* 84.3	145.7	53.3	50.5	138
Section III, Texas Original Bag Wool								
	Twelve Months (64s and finer - No 60s/62s)							
A-1	Good Fr. comb. and staple, 64s and finer-----	43.2	4.59	102.0	176.3	76.2	72.2	167
A-2	Average to good Fr. comb., 64s and finer-----	41.6	6.12	* 98.3	169.9	70.7	67.0	161
A-3	Short Fr. comb. and clothing, 64s and finer-----	36.8	.22	* 89.6	154.8	57.0	54.0	147
	Twelve Months (64s - 15 percent 60s/62s)							
A-4	Good French combing and staple-----	43.9	1.45	*100.5	173.7	76.3	72.3	165
A-5	Average to good French combing-----	42.3	1.94	* 96.8	167.3	70.8	67.1	159
A-6	Short French combing and clothing-----	37.5	.07	* 87.9	151.9	57.0	54.0	144
	Eight Months, 64s and finer - No 60s/62s							
A-7	Best length (1 inch and over)-----	43.6	3.35	90.6	156.6	68.3	64.7	148
A-8	Average to short length (1 inch and under)-----	42.9	.58	* 87.1	150.5	64.6	61.2	143
	Fall (64s and finer - No 60s/62s)							
A-9	Best length (3/4 inch and over)-----	43.4	2.35	82.6	142.7	61.9	58.7	135
A-10	Average to short length (3/4 inch and under)-----	40.4	.30	* 79.8	137.9	55.7	52.8	131
Section IV, Graded Fleeced Wools								
	Fine, 64s and finer							
A-1	Delaine (3 inches and longer)-----	40.4	1.80	101.6	175.6	70.9	67.2	166
A-2	Staple and good French combing-----	38.2	.68	* 95.2	164.5	62.8	59.5	156
A-3	Average and good French combing-----	36.3	.62	* 91.1	157.4	57.1	54.1	149
A-4	Short French combing and clothing-----	36.2	.55	83.6	144.5	52.3	49.6	137
	One-half Blood, 60s/62s							
B-1	Staple and good French combing-----	43.9	1.43	87.0	150.3	66.0	62.5	142
B-2	Average and good French combing-----	43.5	.24	* 82.0	141.7	61.6	58.4	134
B-3	Short French combing and clothing-----	43.5	.16	* 73.4	126.8	55.2	52.3	120
	Three-eighths Blood, 56s/58s							
C-1	Staple and good French combing-----	53.8	6.41	72.6	125.5	67.5	64.0	119
C-2	Average French combing-----	54.5	2.42	* 64.6	111.6	60.8	57.6	106
C-3	Short French combing and clothing-----	54.4	.41	* 61.2	105.8	57.6	54.6	100
	One-quarter Blood, 50s/54s to 50s/48s							
D-1	Staple and good Fr. comb., 50s, 54s-----	57.6	.89	* 69.8	120.6	69.5	65.9	114
D-2	Staple and good Fr. comb., 50s, 48s-----	57.0	6.78	* 68.0	117.5	67.0	63.5	111
D-3	Average French combing, 50s, 48s-----	56.9	.05	* 58.0	100.2	57.0	54.0	95
D-4	Short Fr. comb. and clothing, 50s/48s-----	56.5	.16	* 53.8	93.0	52.5	49.8	88
	Low One-quarter Blood, 46s							
E-1	Wool 4 inches or more in length-----	59.7	.55	61.4	106.1	63.3	60.0	101
E-2	Wool under 4 inches in length-----	59.7	-	* 50.0	86.4	51.6	48.9	82
	Common & Braid, 44s/36s							
F-1	Wool 5 inches in length-----	62.3	.16	57.5	99.4	61.9	58.7	94
F-2	Wool under 5 inches in length-----	62.3	-	* 48.0	82.9	51.6	48.9	78
Section V, Burry and Seedy Wools								
B-1	Fine and 1/2 Blood-----	34.8	.29	* 79.3	137.0	47.7	45.2	130
D-2	3/8 Blood and 1/4 Blood-----	49.0	1.28	* 59.7	103.2	50.6	48.0	98
Section VI, Scoured Wools-----								
		49.4	4.78	-	-	52.9	50.1	-
Section VII, Off Wools-----								
		30.3	2.54	-	-	23.4	22.2	-
Average or total-----		44.4	100.00					
Weighted average-----						64.05	60.7	

* Interpolated from the indexes for the grades and classes for which market prices were available for the 10-year period (1944-53).

1/ Average of indexes for 1944-53 and 1953; see last line of table, Exhibit B.

INTERPOLATIONS OF PRICE INDEXES FOR CERTAIN GRADES AND CLASSES
FOR WHICH MARKET PRICES NOT AVAILABLE FOR 10-YEAR PERIOD

Original Bag Territory Wool, Fine, 64's, and Finer.

Obtained by using the prices for graded territory wools and deducting amounts slightly less than the estimated cost of grading. On this basis it was estimated that the deduction of 1.8 points from the price indexes for the corresponding grades and classes of graded territory wools would provide appropriate indexes for the original bag wools. (See Exhibit C, column 5.)

Original Bag Territory Wool, Fine (64's not to exceed 15 percent 60's/62's).

Obtained by adjusting the indexes for original bag territory wool, described above, by an amount necessary to reflect the 15 percent 60's/62's. The adjustment was determined by computing the differences between the indexes for graded Fine territory wools of the various lengths and a weighted average of the indexes for graded Fine (weighted 85 percent) and the indexes for comparable length graded 1/2 Blood (weighted 15 percent). The deductions from the indexes for Fine, 64's and finer, as thus determined, were 1.5 for Classes A-1 and A-2; and 1.7 for Class A-3. (See Exhibit C, column 5.)

Texas Original Bag, 64's and Finer, Twelve months wool.

Since the index for 12-months Texas wool was 2 percent higher than the index for graded Fine territory, staple and good French combing (see Exhibit C, column 5), the indexes for the prices of the average to good French combing (Section III, Class A-2) and short French combing and clothing (Section III, Class A-3) were obtained by raising the indexes for comparable classes of graded territory wool 2 percent.

Graded One-quarter Blood, Territory and Fleece, Staple and Good French Combing.

A slight adjustment was made in the indexes for graded 1/4 Blood territory and fleece wools, staple and good French combing, based on prices, as reported by the AUS, to reflect the new classes of 50's/54's in the one-quarter Blood grade in Sections I and IV of the 1954 loan rate schedule. (See Exhibit C, column 5.)

Burly and Seedy wools.

The index for Fine and 1/2 Blood, burly and seedy wools (Section V, B-1) was computed by adjusting the weighted average of the indexes for graded Fine and 1/2 Blood wools, in Sections I and IV, reflecting the differentials between grades and classes for the 10-year period (1944-53) averaged with differentials for 1953. Similarly, the index for Class D-1, Section V, 3/8 Blood and 1/4 Blood, burly and seedy, was computed by adjusting the weighted average of indexes for graded 3/8 Blood and 1/4 Blood wools in Sections I and IV. The weighting factors used in computing the weighted averages were the percentages of the total clip, clean basis, as determined by the analysis of the 1946 clip. The adjustments made from weighted averages of indexes described above to arrive at the 1954 indexes for burly and seedy wools reflect the relationships between such wools and graded wools free of defect which existed in loan rate schedules for the 1952 and 1953 wool price support programs.

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Examples of the Interpolation of 1954 Loan Rates for Greasy Worsted Type Pulled Wools
from those for Graded Greasy Shorn Wools

Class Code		Description		Graded greasy shorn wools			Greasy worsted type pulled wools		
				: 1954 loan	: Grade	: Length	: 1954 loan rate, clean		
				: rate, clean		: in	: basis, Boston		
				: basis, Boston:		: inches	: Av. to good	: Choice	
<u>EXAMPLE 1</u>									
Fine, 64s and finer									
I	A-1	Strictly staple (3" & longer), Territory		\$ 1.67	64s & finer	2½ & longer	\$ 1.65	\$ 1.68	
IV	A-1	Delaine (3" & longer), Fleece		1.66	64s	2½ & longer	1.62	1.65	
I	A-2	Staple & good Fr. comb., Territory		1.64					
IV	A-2	Staple & good Fr. comb., Fleece		1.56					
<u>EXAMPLE 2</u>									
Fine, 64s and finer									
I	A-3	Average & good Fr. comb., Territory		1.58	64s & finer	1½ - 2½	1.57	1.60	
IV	A-3	Average & good Fr. comb., Fleece		1.49	64s	1½ - 2½	1.51	1.54	
<u>EXAMPLE 3</u>									
Three-eighths blood, 56s/58s									
I	C-1	Staple & good Fr. comb., Territory		1.28	58s	3 & longer	1.27	1.30	
IV	C-1	Staple & good Fr. comb., Fleece		1.19	56s, 58s	3 & longer	1.23	1.26	
					56s	3 & longer	1.21	1.24	

